

Statement of Accounts 2017/18 – Questions and Answers

The following questions and answers will help to demonstrate that the Council's Accounts were subject to robust member scrutiny prior to approval.

First some questions on the Narrative Report which is included in the Statement of Accounts and starts on Page 2.

Question No. 1 (Page 3)

Why is there non-financial information in the statement of accounts? Surely this document should be concerned with key financial information and nothing else?

In 2015/16, a new requirement of 'Telling the Story' of the Statement of Accounts was introduced and this had to include non-financial information. This section is intended to give the reader some broad context about the organisation, how it is run and what it does. We are asked to follow certain principles set down in CIPFA's code of practice but generally speaking we have flexibility to include whatever we think will most help the reader of the accounts. Our non-financial information covers aspects like the geographical nature of the borough, our business plan priorities and even extracts from our Life in Wyre survey, all intended to illustrate the nature of what we do. Feedback from last year's equivalent Audit Committee indicated that this was serving its purpose in making the accounts more accessible but also that we needed to be clearer about what year the information related to. Hopefully we've addressed this and made it easier to follow as some of the information is forward looking and some is backward looking by necessity.

Question No. 2 (Page 10)

Starting with the revenue variances, should we not be concerned to see increased spending/reduced income of nearly £2.3m and reduced spending/increased income of a similar amount?

Revenue slippage continues to grow year on year and in relation to 2017/18 the value (net of reserve funding) is £1,260,900. Approximately 20% of the slippage listed represents external funding that has not yet been spent so it would be counter-productive to refuse it on the basis that the money would ultimately be repaid to the funding body. As this expenditure still needs to be incurred, the saving is returned to balances to be spent in the following year.

Whilst we will explore the other variances in a bit more detail below, in summary, **additional income** from planning fees and new burdens grant, summons fees, service charges, Enterprise Zone business rates and interest totals £252,466. **Savings** in employee costs, fuel, vehicles, waste collection, cemeteries, theatres, planning consultants, audit, risk and insurance, business rates, tools and equipment, public conveniences and printing and stationery budgets total £609,244. These positive variances have been used to compensate for **reduced income** on Rent Allowances – in total unbudgeted costs of £141,044. The net savings of £720,666 together with other miscellaneous under spends of £161,649 and the previously forecast top-up to general balances of £1,308,956 have been used instead to top up the Capital Investment Reserve by £184,260, the IT Reserve by £92,011 and the Vehicle Replacement Reserve by £1,915,000 leaving a difference of £48,056 which represents a reduced top-up to balances.

When you consider that our gross expenditure on services for last year was £54m, a net saving of £2,191,271 equates to 4.1%. This is higher than last year owing to the decision not to top-up general balances but instead transfer the underspend to earmarked reserves and this will be covered in more detail at question 36 in particular.

Looking at the areas of increased spending or reduced income....

Question No. 3 (Page 10)

I understand that there is a large adverse variance on housing benefit payments (also known as rent allowances) of £141,044 and would like to understand what has contributed to this?

The reduced income of £141,044 equates to less than half a percent of the gross benefit expenditure budget and was the result of the following factors:

1. An increase in benefit payments made of £37,139;
2. A lower level of income from the government in terms of subsidy £36,991 – whilst the budget assumed a rate of 99.5% the actual was 99.3% and when you consider that payments total nearly £29m, this small change in the % really does make a difference.
3. Debtors raised for overpayments of discretionary housing payments were £4,668 higher than expected.
4. Debtors raised for overpayments of housing benefit i.e. where somebody has been paid something to which they are not entitled and the top-up to the corresponding bad debt provision were a net £71,582 lower than expected owing to the introduction in March 2017 of a new Payment Deductions Project, the impact of which is now more fully understood having become embedded over the last year. As such, forecasts have been adapted and tightened to reduce the variation in future years.

Moving on to areas of reduced spending and increased income...

Question No. 4 (Page 10)

Cemeteries were in a deficit position in 2016/17, how have they performed in 2017/18?

Performance (excluding any notional charges) across all of the cemeteries since 2010/11 is shown in the table below. Although cemeteries income outperformed budget by £20,513, overall the cemeteries operated at a deficit of £10,820, an improvement of nearly £5,000 on the previous year. This is largely owing to support services recharges incurred in generating the additional income and the increased cost of responsive maintenance at Fleetwood Cemetery.

The council will continue to monitor the situation in future years.

- 2010/11 - a deficit of £23,648
- 2011/12 - a deficit of £45,818
- 2012/13 - a deficit of £7,393
- 2013/14 - a surplus of £7,528
- 2014/15 - a surplus of £35,311

- 2015/16 - a surplus of £1,357
- 2016/17 - a deficit of £15,788
- 2017/18 - a deficit of £10,820

Question No. 5 (Page 10)

What is the subsidy position at Marine Hall and Thornton Little Theatre (TLT) and how is the reduced expenditure of £21,000 at Marine Hall explained?

In 2017/18 the overall subsidy at Marine Hall, excluding capital charges was £315,125 and the equivalent subsidy at TLT was £116,522. This compares to figures in 2016/17 of £252,918 and £117,957 respectively.

Whilst TLT is holding steady in terms of its subsidy level, Marine Hall has seen a worsening position over the last 12 months with an increased subsidy of nearly 20% compared to the previous year. This trend was reported to Audit Committee in May 2018 as part of the summary findings in Internal Audit's Annual Report.

2017/18 has seen significant changes to the staffing and management of the theatres following the sad death of the Head of Leisure and Culture in January 2017 and as such it should not be seen as a typical year. The savings of £21,000 mean that the subsidy was lower than anticipated with additional staffing and agency costs being offset by increased bar income.

The ten year average subsidy for Marine Hall is £309,146 and for Thornton Little Theatre this is £95,870. Subsidy levels can fluctuate year on year as a result of one off spend such as repairs and maintenance but a subsidy level of between £225K and £250K has been delivered in recent years and this should remain the target going forward.

Following the recent internal audit review, a number of actions have been documented and work continues to restore the subsidy to its previous lower levels.

Question No. 6 (Page 10)

Income from planning fees is higher than we expected. Looking back over say the last five years – is there evidence to suggest that we are constantly underestimating income?

The estimated and actual income for 2017/18 and the previous 4 years can be seen below:

- 2014/15 - Actual income of £824,673 compared to a revised estimate of £786,690 – up £37,983
- 2015/16 - Actual income of £696,135* compared to a revised estimate of £602,580 – up £93,555
- 2016/17 - Actual income of £761,943 compared to a revised estimate of £670,000 – up £91,943
- 2017/18 – Actual income of £606,039 compared to a revised estimate of £582,670 – up £23,369

(*Prior to allocation of £41,350 used to fund future year additional costs)

Despite increasing the Revised Estimates to reflect the trend in higher levels of planning fee income, nearly £200,000 in planning fee income was received in just the last quarter of the

financial year, after the Revised Estimates had been set, demonstrating the unpredictability of when developers chose to submit their applications. This also reflects the late change in statutory fees which came into effect from mid-January. Our estimate was much closer to the final outturn figure than in previous years but it is still very difficult to gauge demand accurately. The Head of Planning predicted last year that many developers would submit planning applications in advance of the adoption of the Local Plan which it is hoped will be towards the end of 2018 and we saw a decline in planning income of £156,000 compared to 2016/17 so this downturn supports that view and will need to be monitored carefully ongoing.

Question No. 7 (Page 10)

Planning income has increased and yet we are reporting a saving of £21,542 on consultants. How has this been achieved?

The consultants fees budget covers general external support on application consultations from organisations such as the Greater Manchester Ecology Unit, ADAS Environmental Consultants and Lancashire Archaeology. It also includes an amount for specialist consultants (including those referred to above) for additional support in respect of planning appeals. The savings have arisen as a result of having very few appeals last year where we have had to engage that additional support.

The difficulty arises in that a few major appeals could very quickly swallow up those savings so a prudent approach is taken when setting the budget. Unfortunately we cannot easily predict at the beginning of the year how many appeals we are going to have and what matters will require us to engage consultants so a best endeavours approach is taken and reviewed at Revised Estimates and this approach will continue to be taken.

Question No. 8 (Page 10)

We are showing additional Planning Policy income of £35,485 but I wasn't aware of any fees and charges raised in this area. What does this relate to?

£5,485 of additional income is a New Burdens Grant from central government in relation to developing a Brownfield sites register. The remaining £30,000 is for a Local Authority Custom Build Grant. Work in relation to both of these activities will be undertaken as part of the normal duties of the planning team and therefore the one-off grants were offered up as a saving.

Question No. 9 (Page 10)

I know that we have a new Enterprise Zone (EZ) at Hillhouse, Thornton but what does the increased income of nearly £43,000 represent?

In June 2016, Wyre entered into a Memorandum of Understanding (MOU) with what was the Department for Communities and Local Government to establish an EZ at Hillhouse, Thornton. This meant that the EZ would benefit from 100% growth of business rates retention for 25 years with 100% protection from any future reset or redistribution. Wyre's baseline funding would not be disadvantaged and we would act as accountable body for the EZ. The MOU allowed for officer time to be recovered and this represents the first time such a claim has been made. Owing to the timescales for business rates returns to be audited, the growth in 2016/17 is only confirmed in

2017/18 and as such all claims are made in arrears. The growth in the first part-year operation of the EZ was £55,289. In 2016/17, we incurred consultants' fees of £5,000 and internal costs of £37,849 in staff time across a number of services but mainly in relation to the Planning, Engineering and Economic Development Teams (£26,790) and back office functions such as the Finance, Legal and Management Teams (£11,059). These teams have been instrumental in actively promoting and administering the EZ to generate investment in the site and attract new business which will ultimately lead to increased business rates growth to be invested in the site's infrastructure.

Question No. 10 (Page 10)

A saving of £23,300 has been achieved in relation to the Audit, Risk and Insurance activity. Does this mean that the work identified in the Audit Plan has not been carried out?

In May 2017 we agreed to an interim arrangement with Lancaster City Council to share our Chief Internal Auditor (CIA) one day a week in return for an agreed sum. This meant that we had to remove our CIA from the Audit Plan for 55 days between 22 May 2017 and 21 May 2018. Responsibilities were passed to the Senior Auditor where appropriate and a contingency budget was held in the event that further support from Lancashire County Council's audit team was required. A review of regular audits was undertaken to identify areas of strong performance that were suitable to be audited on a less frequent basis. Owing to the uncertainty around the General Data Protection Regulations, their raising as an area of Significant Concern in the Annual Governance Statement last year and the potential impact on the team it was important that a provision for additional resource was maintained. Ultimately there were no internal investigations last year that required additional support and the reconfiguration of the Audit Plan was successful which meant that a saving was achieved.

The saving was further enhanced by a 6-month arrangement with Lancaster City Council to share our Insurance Officer, two days per week, when their in-house post became vacant. Both arrangements have just been extended for a further 12 months and credit goes to the team for making this work to provide value for money for both authorities.

Question No. 11 (Page 10)

Council Tax summons fee income was greater than expected in 2016/17 and a positive variance has again been reported in 2017/18. Has our summons income stabilized and what other action can we take to pursue outstanding council tax debt?

In 2016/17 the council issued 5,771 summons earning income of £432,825 compared to 6,572 summons earning income of £492,900 in 2017/18. This is an increase in the number of summons issued of 801 or just under 14% and an increase in income of £60,075. However, the income is reduced as a result of summonses which are subsequently withdrawn, court and bailiff costs. The net income for 2016/17 was £377,681 and for 2017/18 was £392,851.

The council must comply with legislation which states that the customer must receive a bill followed by a reminder for any missed payments. If the customer ignores the reminder then in effect the council has no option but to issue a summons and obtain a Liability Order through the Magistrates Court. Only then can we proceed to attach the debt to benefits or earnings or refer the debt to Enforcement Agents (previously referred as the Bailiffs). Other options include committal to prison, placing a charging order on their home or bankruptcy proceedings. All reminder notices

clearly explain the consequences of not paying and offer assistance to the customer via the council's debt free advice service. Every time a summons is issued, costs of £75 are awarded to the council (£72 net of court fees) and added to the customer's council tax debt recognising the administration costs incurred in chasing the payment. Challenges continue to be made in relation to the costs charged and any future decision to set a lower fee will impact significantly on the council's level of income.

Within the net income figures above are new Civil Penalties introduced in 2017/18 and in total, 25 Council Tax civil penalties were issued at £70 each. This is another lever we can use to encourage recovery of debt and we are the first authority in Lancashire to commence using the penalties. Their use means that evidence of 'aggravated circumstances' exists which forces the DWP to investigate potential fraud below their normal threshold.

A recent recovery case involved a non-payer who owed the council £7,540, a sum which had accumulated between May 2012 and October 2015. Despite repeated attempts, the debtor had refused to engage with the council and had not made any offer of payment. The council was advised that the debtor did not own any property so a charging order was not appropriate but their income details were unknown. Bankruptcy proceedings were instigated. However, in order to avoid being made bankrupt, the debtor has now entered into a repayment plan. To date a total of £2,860 has been recovered.

The council will continue to pursue non payers recognising the duty that it owes to the majority of residents who do pay.

Question No. 12 (Page 10)

An underspend of more than £27,000 has been reported in relation to Domestic Waste Containers. How does this compare to previous years and why have costs reduced?

The introduction in 2014/15 of a charge for the delivery and administration costs associated with providing replacement bins (not applicable to boxes) is likely to have encouraged residents to take good care of their waste containers, thus reducing the need for more frequent replacements. Developers have also become accustomed to the charge and many now build this into their development costs and request the full suite of containers in bulk. Replacement boxes continue to be provided free of charge. The table below shows the expenditure on containers, the annual underspend over the last three years and the total income generated from admin fees. It shows that we currently recover less than 40% of the cost of replacement containers from residents.

Description	2017/18 £	2016/17 £	2015/16 £
Expenditure on Containers (includes collection of spares)	108,733	125,609	126,447
Container Underspend	27,447	14,471	7,793
Administration Fee	(40,768)	(17,790)	(13,656)

Question No. 13 (Page 10)

Public Conveniences have achieved savings and additional income of nearly £12,500. Does this mean more people are ‘spending a penny’ in our award winning toilets?

Yes, income has been greater than expected by nearly £7,300 (£47,278), an improvement on 2016/17 of around £6,300. The highest income earning facility was at Rough Lea Road Car Park and it was also the most improved compared to 2017.

Added to this, when the contract was outsourced to DANFO, a fixed element was paid annually for pension obligations to staff that transferred across under TUPE (Transfer of Undertakings (Protection of Employment)) Regulations. As former council staff have retired or left the company, these costs have reduced and we ceased having to pay the £9,090 annual sum in 2017/18 with a part year impact saving us £5,200.

Question No. 14 (Page 11)

Last year we reported savings on bulky household, clinical and hazardous waste of £25,260 and in 2017/18 this has been replicated with a similar saving of £25,507. Why haven't we amended our forecasts if these savings are year-on-year?

Whilst there have been savings on bulky household, clinical and hazardous waste it should be noted that in 2016/17 both clinical and hazardous waste remained as operating at a loss. However, bulky household waste did generate a surplus for the first time.

In 2017/18 a similar picture has emerged with both clinical and hazardous waste operating at a loss and bulky household waste generating a modest surplus.

This is a combination of reduced costs in relation to vehicle maintenance, additional income from an increase in the charge from £18 to £19.50, with demand holding steady and additional income from an increase in take-up of Regenda customers using the service (paid for by Regenda).

The net savings for each of the services were as follows:

- bulky household - £21,520 saving (£11,100 net surplus)
- clinical - £1,040 saving (£2,960 net subsidy)
- hazardous - £2,950 saving (£2,050 net subsidy)

Question No. 15 (Page 11)

Employee Costs (including car allowances) show a saving of £344,000 – what % of the total salary budget does this equate to and why is this higher than last year's figure?

The updated revised estimate for staffing costs was £9.9m. The saving on employee costs across all services is £344,117 representing a saving against the budget of approximately 3.5%. The underspend reflects an awareness of the Council's financial position with many teams choosing not to fill established posts and seeing if they can manage but at the same time not feeling comfortable enough to offer up the savings in case things don't work out. A large part of the savings, just over £95,000 relates the Contact Centre and posts held vacant owing to the scale and complexity of both the internal developments and the national policy changes it responds to. Similarly, nearly £74,000 relates to Parks and Open Spaces where an internal recruitment process to a new manager post was successful towards the end of 2017/18 and several posts have been held vacant pending a review of the service. Many of the employee savings will be formally

declared via staffing reviews as part of the £2m target which the senior leadership team has committed to deliver.

Within the above underspend, car allowance savings of £9,395 were achieved against a budget of £77,310. Part of the saving will be attributable to vacant posts and general reductions in mileage and next year's global budget has already been reduced by £2,500 and will be subject to further review.

Question No. 16 (Page 11)

We have reported savings in fuel costs for a number of years (2017/18 c£14,000) and these have been declared on a rolling basis. Last year it was agreed that further savings would be taken but I see that we have again underspent. Were savings declared in 2017/18 and are further savings likely?

Overall fuel consumption has reduced (excluding fuel purchased on behalf of our waste contractor) with 2017/18 consumption being lower by just over 3,500 litres than the previous year. There have been no major changes to the fleet although we did replace a diesel van with our first electric car and this will have contributed to the reduced fuel consumption. In 2016/17 the average fuel price for White Diesel, which makes up the majority of all fuel purchases, was 91p per litre and in 2017/18 it rose to 94p. Despite effective fleet management and the deployment of vehicles efficiently the volatility of fuel prices means that costs can vary beyond the control of managers. The fuel budget was reduced by nearly £4,000 in 2017/18, so the underspend is in addition to this, and it will continue to be monitored with a view to reducing the total budget further in 2018/19 but this is dependent on forecast fuel prices.

Question No. 17 (Page 11)

NNDR or business rates is an area that wasn't reported last year – why the saving of £74,489?

The vast majority of this saving (£73,764) related to the Civic Centre and of this £57,257 represented the outcome of an appeal on the Valuation Office Agency's (VOA) 2010 Rateable Value List which has only just been settled. The remaining £16,507 related to the same appeal but for the period 2015 to 2017. It has taken a long time for the appeal to be determined owing to limited resources at the VOA and high demand under the old appeals system. A new system of 'Check, Challenge and Appeal' has been in place since April 2017 and this has so far vastly reduced the number of appeals going through the system. In fact there were no appeals in Wyre at all on the new 2017 List last year.

Question No. 18 (Page 11)

Printing and stationery (excluding elections and the Rossall scheme) has underspent by £10,639 against a budget of £60,600 – this is a significant saving equating to 17.6% of the budget - do we know the reasons for this variance?

This underspend can be broken down further as follows:

- Printing is £7,838 under budget with savings being reflected in Benefits Administration (£5,265), Off Street Parking (£1,961) and NNDR (£1,059) with several smaller under and overspends across a number of other cost centres;
- Stationery is £4,574 under budget with the largest savings being reflected on Benefits Administration (£1,266) and Contact Centre Systems Support (£1,120).
- An overspend (£1,772) on photocopier paper/charges make up the difference but this is spread across multiple cost centres with no unders/overs exceeding £350.

Based on the 2017/18 and 2016/17 outturn positions, a number of areas have now established a pattern of underspending for which the opportunity for permanent savings will be explored. The introduction of 'hybrid mail' in late 2017/18 identified areas for reducing these costs as part of reducing our postage expenditure and this and the introduction of a Citizen Access Portal will also inform the budget reductions over the next 12-24 months.

Question No. 19 (Page 11)

Overall, Tools and Equipment budgets have been underspent by £13,646. Within the total budget, what are the main under and overspends?

Two areas overspent significantly in 2017/18, namely Engineering (£3,146) and Parks and Open Spaces (£2,742).

Five areas underspent by more than £1,000 and these were as follows: Taxi Licensing (£1,036), Development Management (£2,193), Contact Centre Systems Support (£2,483), Care and Repair (£3,000) and Fleetwood Market (£4,301).

The majority of the underspends were small balances of less than £500 and all material differences will be reviewed as part of the process of identifying ongoing savings. However, some savings don't reflect the reality of the requirement not to generate a surplus on certain activities or areas where a service charge may be recoverable etc.

Question No. 20 (Page 11)

The Tenant's Service Charge income has increased by £10,218 compared to the budget. If we recharge based on consumption, what asset/s does this relate to and why was the forecast lower?

The variance is largely a result of increased consumption at the Poulton Youth and Community Centre which is currently rented by the McKee School for two years with an option to extend. In 2016/17 their charge amounted to £8,445 (7 months only) and this rose to £14,885 in 2017/18. The charge is based on the area they occupy as their utilities are all connected via the Civic Centre and separate meters was not a viable option. The budget in 2018/19 will be amended to reflect the now established level of consumption.

Question No. 21 (Page 11)

I see that there is additional interest received of £20,614 – why is this?

The interest received in the year was £82,834 compared to the revised estimate of £62,220. Whilst an improvement against the forecast, this was around £13,000 less than the £95,871 earned in 2016/17 largely owing to reduced rates of interest. The increase in investment income over that budgeted is owing to an improved cash-flow situation towards the end of the year, partly due to external grant monies being received in advance of expenditure and the efforts of the officers responsible for treasury management activity investing longer term when cash-flow allowed and securing higher interest rates than budgeted. The additional income was reported to Council on 14 June 2018 as part of the annual report entitled 'Treasury Management Activity 2017/18.

Looking now at Revenue slippage...

Question No. 22 (Page 11)

Can you explain what is meant by revenue slippage?

Spending officers ask for unspent budgets to be moved to the next financial year to avoid paying for previously committed works from their new year's budget. In other words they ask us to 'slip' the underspend against their budget so that next year they can spend their full budget and the underspend from the previous year. Often, the request relates to a one-off budget provision which has either been externally funded or met from earmarked reserves. A full list of revenue slippage for 2017/18 totalling £1,260,900 can be seen at Appendix 3b.

Slippage on capital schemes which were being funded by revenue totals £2,200 and after recognising that some of the slippage is funded from earmarked reserves the value of slippage that impacts on the level of balances going forward is £1,260,900. Essentially, this is the value of the apparent underspend in 2017/18 which will ultimately be incurred in 2018/19.

Question No. 23 (Page 11)

Looking at the table which summarises revenue slippage (with the full listing being shown at Appendix 3b), can I ask you to explain, the three highest requests hopefully giving me a better understanding of why slippage occurs?

The highest value of slippage (£291,160) relates to a potential VAT adjustment that the council may be required to pay concerning disabled facilities grants i.e. a potential declaration of unpaid VAT for which confirmation is currently being sought. Several local authorities have submitted appeals to the VAT Tribunal concerning the VAT treatment of DFG agency fees. These cases are currently standing behind the case concerning Cheshire Independent Living, to be heard later this year (delayed from December 2017), which will consider arguments potentially relevant to the DFG position for local authorities. The result of the appeals will dictate whether the service is viable going forward. However, advice from Mazars has now been taken and they are acting on our behalf to liaise with Her Majesty's Revenue and Customs (HMRC) to determine whether Wyre is required to declare unpaid VAT which may also incur a penalty charge and interest. The value of any repayment plus other charges is unlikely to be as high as the amount set aside based on advice received and as such an underspend is likely to occur.

The second highest value of slippage (£216,080) relates to homelessness. Of this, £83,570 relates to flexible homelessness funding that has been earmarked to continue to deliver supported accommodation for vulnerable families who are homeless or threatened with homelessness and

are resident in Wyre. The funding will also be used to employ staff to deliver the Housing Options service that will be undergoing some changes owing to the Homeless Reduction Act. Service users will be provided with bespoke advice and personal housing plans and this will require an increase in staffing resources. A further £104,000 relates to a Trailblazer bid led by Blackpool to deliver homelessness prevention works to Fylde Coast councils. Wyre are delivering prevention work by way of a bond guarantee scheme, a tenancy officer, tenancy training and tenancy support for persons within Wyre who are threatened with homelessness. A further £25,210 has been made available to ensure all councils are prepared for the Homeless Reduction Act which was implemented in April 2018. The new Act will impact on service delivery, which includes staff time and the implementation of a new IT system and reporting mechanisms. It is envisaged that the funding will go towards staff delivering to the expectations of the Homeless Reduction Act. Finally, £3,300 in relation to prevention has been slipped to assist homeless individuals and families to access alternative accommodation or funding to prevent eviction due to rent arrears.

The third highest value of slippage (£178,230) relates to Local Plan Consultancy fees and this was also on the list last year. The slippage reflects the rescheduling of works relating to the Local Plan, with the planning enquiry stage having just taken place in May. The savings have been earmarked to meet future unbudgeted costs depending on the outcome of this and any subsequent stages which may require amendments to the plan or additional evidence.

Question No. 24 (Page 11)

Just before we leave revenue slippage and looking at the full list at Appendix 3b (page 125), can you tell me about the item regarding the Care and Repair Service where we show projects subject to re-phasing of £180,285 which is met by external grant funding of the same amount. This seems a large amount to be carrying forward although it has reduced compared to last year's value (£235,011) – why haven't we managed to spend more of the money?

Care and Repair have been extremely successful in securing external funding to support a number of ongoing projects that include Winter Warmth initiatives, a social isolation project, a project to help prevent hospital admissions for patients with long term health conditions, a dementia project and a project to provide increased security for vulnerable households. These projects will have various start dates, with some having commenced in and prior to 2017/18 and others commencing in 2018/19. The timescales for delivery and reporting requirements are agreed with the funders in advance. The money is usually ring-fenced although some grants have a greater degree of flexibility in how they are spent.

Care and Repair have to date managed to provide these projects without additional staffing resource and the flexibility of funders around delivery timescales is therefore a key factor. In order to continue to attract external funding we must make the best use of the funds provided and ensure that they have a positive impact on recipients.

<u>Project</u>	<u>Amount</u>
	£
Affordable Warmth	98,227
Social Isolation / Affordable Warmth	21,000
Long Term Conditions	40,000
Winter Warmth Initiative	5,260
Dementia Initiative	4,320
Other Projects	11,482

TOTAL	180,285
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Question No. 25 (Page 11)

I see that at 31 March 2018 we have nearly £11.8m in our revenue balances – why are we still trying to find efficiency savings?

The Council prepares a 4 year Medium Term Financial Plan which forecasts what we expect our income and expenditure to be in each of those years and shows the impact on our revenue balances. The latest update reflects a gap between expenditure and income in 2021/22 of approximately £2m and in effect, our level of balances only allows the Council to continue with its current spending plans until 2024/25 before it runs out of money. In 2019/20 our Revenue Support Grant ceases and following the absence of a Finance Bill in the Queen’s Speech last year there is even greater uncertainty around what will replace this critical funding stream. There is an action in the Council’s Business Plan (2018 Update) to ‘progress our programme of efficiency savings to ensure a balanced budget’ and regular progress reports will be provided to Cabinet and Overview and Scrutiny in order to bring the expenditure and income projections back into balance.

Moving on to Capital Expenditure...

Question No. 26 (Page 12)

It is clear from the table on page 12 that our main item of expenditure, accounting for 79% of our capital outturn at £10m, is Sea Defences. What exactly does this include?

Schemes categorised as sea defences for the 2017/18 financial year are as follows:

Scheme	Value £
Cell Eleven Monitoring – External costs/In house fees	15,692
Wyre Beach Management Study	20,004
Rossall Sea Wall Improvement Works – External costs/In house fees	9,932,310
Total	9,968,006

Firstly, cell eleven monitoring attempts to assess the impact of the tides – with the scheme title being a reference to the particular region of the coastline, namely, Wales and the North West of England.

Secondly, Wyre Beach Management scheme expenditure to date is for an application for studies to prepare a business case for the scheme (as identified in the Wyre Core Coastal Defence Strategy). This has been submitted to the EA and is anticipated to receive formal signoff this summer. The studies (including computational modelling, public consultation and monitoring to provide evidence to prepare the business case) will be undertaken over the next 14 months. The scheme is currently estimated at £22 million and if approved this will be fully supported by Grant in Aid.

Thirdly, Rossall Sea Wall Improvement Works are being funded by the £63.2m award from the Environment Agency (EA), with contributions from Fleetwood Town Council and Regenda. The scheme was opened on the 1st June with some landscaping and art installation works to be completed over the summer.

Question No. 27 (Page 12)

I see that we have spent £100,431 on Cultural and Leisure Facilities in 2017/18. This reminds me that as a result of improving the Poulton and Thornton Leisure Centres in 2014/15 we were meant to reduce our revenue subsidy (£356,239) by approximately £130,000 in 2015/16 to £225,229, with a further reduction of £25,000 in 2016/17 to £200K and an agreed two-year average subsidy of £172,500 in 2017/18 and 2018/19. Bearing in mind the 2015/16 and 2016/17 subsidy targets were both met (and improved upon), what does the final position in 2017/18 look like?

The expenditure has been routinely monitored throughout the year and the final outturn reported by the YMCA for 2017/18 was £238,505 which is £66,005 more than the agreed subsidy and £40,507 more than the subsidy level achieved in 2016/17. Late costs reported in May 2018 but not previously consulted on with the council related to a management restructure at the end of the financial year. This resulted in one-off termination costs for one Director with an impact on Wyre's subsidy of approximately £15,000.

As reported last year, although the YMCA performed better than the targets set in 2015/16 and 2016/17 this was helped by the novelty of the new facilities and the reduced maintenance costs. The Splash Pad continues to operate at a loss, increasing from £13,520 in 2016/17 to £19,385 in 2017/18 and this is built into the agreed subsidy target although not formally part of the contract.

The Council's Leisure Management Contract includes an incentive for the operator to reduce costs by allowing the YMCA to keep 50% of any savings below the operational subsidy and pay a 50% share of any expenditure incurred above the operational subsidy. In 2017/18, it was agreed that owing to the uncertainty around the reduced subsidy level any under or overspend would be carried forward and the overall impact assessed at the end of March 2019. In other words, over two years a total subsidy of £345,000 has been agreed and based on the 2017/18 outturn, only £106,495 remains for 2018/19.

In January 2018, the YMCA agreed to present various options for consideration by the Service Director for Health and Wellbeing, for substantially reducing the subsidy and these are currently awaited. However the 2018/19 forecast has been produced and this shows a reduced subsidy target of around £100K which if achieved would bring them back in balance over the two year period.

Question No. 28 (Page 12)

Staying with Capital Expenditure, I can see that we've spent £155,513 on Flood Grants. How many households that were flooded in Storm Desmond and Storm Eva between December 2015 and January 2016 does this represent?

In the winter of 2015/16 Wyre experienced severe flooding with the greatest concentration of properties flooded in Churchtown, St Michaels and Garstang although other outlying properties were also affected. A Bellwin incident was declared and the council submitted a claim to central government to recover the proportion of costs which were eligible that had been incurred in 2015/16. Further funds were made available to households for Resilience grants of up to £5,000 per property and these were promoted by the council on our website, letters to affected properties and via house-to-house visits. Prior to the closure of the scheme we had received 89 applications

for the resilience grants of which 84 were approved in principle, pending submission of supporting documentation. The scheme has now closed and in total we have paid out for 81 of the applications, with three deciding not to complete their submissions. We will have paid out a total of £351,048 in resilience grants by the end of 2017/18 with successful take-up by 84% of affected properties (97 in total). Within those 81 households that have claimed resilience grants, 75 have claimed for their own properties and six households have signed over their maximum grant allowance to the council to be used to purchase two mobile pumps for deployment in the borough should similar flooding occur. This demonstrates the hard work by the Head of the Contact Centre and the Compliance Manager in particular in promoting and supporting claimants and also maximizing the grant opportunities for community schemes.

Question No. 29 (Page 12)

In the table showing reasons for the variance to the Updated Revised Estimate, why is there £3m of capital slippage into future years?

The individual schemes making up this value can be seen in Appendix 2 Table 2. The largest item accounting for the vast majority of the slippage is:

<u>Scheme</u>	<u>Slippage</u> £'000	<u>Reason</u>
Rossall Seawall Improvement Works	2,921	Risk monies that have not yet materialised.

The current 2018/19 Rossall scheme budget is £10.4m but this includes approximately £6m of risk monies that may or may not be drawn down, depending on circumstances, and may ultimately be a saving on the scheme. Changes will be reported via the normal capital programme reporting process with a Cabinet report due in October 2018.

Question No. 30 (Page 13)

It is useful to see the different grants and contributions in the financing table but when the Capital Programme is financed from Revenue to the tune of £0.43m what does this mean?

Revenue funding of £426,415 has been applied during the year reflecting a number of contributions including:

- Capital Investment Reserve (£28,709) – used primarily for the creation of the Digital Hub at Fleetwood Market;
- Handyperson Service (£22,200) – used for the rolling replacement of Handyperson vans;
- Vehicle Replacement/Street Cleansing Maintenance Reserve (£172,114) - used for the rolling replacement of the vehicle fleet and the creation of the MOT Test Centre; and,
- IT Reserve (£202,979) – used for replacement Servers and Hardware.

And finally, some questions on the rest of the Statement of Accounts:

Question No. 31 (Page 36)

The Comprehensive Income and Expenditure Statement shows that our gross income and expenditure on Neighbourhood Services and Community Safety accounted for 83% of our total gross income and nearly two-thirds of our total gross expenditure. This seems disproportionate, why is it so different compared to the other Portfolios?

The biggest element of the 'Neighbourhood' Portfolio in 2017/18 relates to Housing Benefit on which we spent £29m and received just under 99.3% subsidy in government grant. Once this element is stripped out the Portfolio's income and expenditure is in line with the others.

Interestingly, the Portfolio with the highest net spend is Street Scene, Parks and Open Spaces at £3.4m with Street Cleansing, Domestic Waste Collection and Parks and Open Spaces being the three most expensive elements accounting for nearly 90% of the net expenditure in this portfolio.

Question No. 32 (Page 36)

The Comprehensive Income and Expenditure Statement (CIES) appears to show that we have made a surplus on the Provision of Services of £11m but the Narrative Report on page 11 shows an increase in balances of £1.3m. Why is the contribution to balances not £11m?

Note 8 commencing on page 59 illustrates the adjustments that are needed to reconcile the Accounts prepared in accordance with proper accounting practice to the resources available as specified by statutory provisions which ultimately influences the level of council tax that we levy from our residents.

The total comprehensive income and expenditure which can be seen on page 36 of £10,929,127 is reflected in both usable and unusable reserves and is analysed in the Movement in Reserves Statement on page 37. The first column of this statement shows the General Fund Balance which increases from £10,531,480 at the start of the year to £11,792,380 at the end of the year, an increase of £1,260,900. The statement shows the surplus on the CIES of £10,929,127 and the aggregate adjustments that explain the difference.

And now turning to the Balance Sheet on page 38...

Question No. 33 (Page 38)

Looking at the Property, Plant and Equipment line, why has this increased by nearly £11m and why are no assets classed as being surplus or held for sale when Garstang Business Centre was in the process of being sold?

Property, Plant and Equipment has been valued at £124m in 2017/18 and Note 13 on page 66 shows a more detailed breakdown. The key difference year-to-year is shown in the Assets Under Construction column against the Additions line:

- £9.9m has been included for the Rossall Coast Protection scheme, being the value of the works under construction at year-end.
- Other changes include general upwards revaluations of assets (£2.1m) reflecting the current market and additions such as £166K of enhancements carried out to existing assets. Additionally some of the assets valued this year are valued using Depreciated Replacement Cost which is based on current costs to rebuild the assets. These costs have naturally increased since the assets' last valuation five years ago.

Garstang Business Centre is currently classified as an investment asset. As such, under the rules governing asset classification there was no reason to reclassify it because we are effectively holding onto it for capital appreciation.

Also, when it is eventually disposed of, it will be disposed straight out of the investment asset category, not transferred to either surplus, or assets held for sale so it doesn't fall into either of these categories at that point. Essentially it's a technical distinction for accounting purposes but it is an asset that we are disposing of and the final completion date is expected to be on or before 31st October 2018.

Question No. 34 (Page 40)

This is the second year we've included the new Expenditure and Funding Analysis (EFA) Note to the financial statements. What is it meant to be telling me that's different to say, the CIES on page 36?

There are some similarities between the two...

- Both the CIES and the EFA are presented according to the organisation's structure so in our case, the Cost of Services sections are both shown by Portfolio and both net to £13,112,718 in 2017/18.
- Both the CIES and the EFA also show the surplus or deficit on the provision of services and again they both net to £10,929,127 in 2017/18.

Where they differ is that the CIES includes all the notional adjustments or 'book entries' that accountants make to comply with our Generally Accepted Accounting Practices (GAAP). This means that the CIES includes entries for capital charges and accruals for instance so whilst it is useful for comparing to budgets and performance during the year it doesn't show the amount to be funded from taxation.

The EFA on the other hand takes the council's annual expenditure and reconciles the position on the CIES to the position on the General Fund, stripping out the accounting adjustments made for capital charges etc. In addition to showing the Surplus in 2017/18 as £10,929,127 it also shows the reconciliation to the General Fund which confirms that we have £11,792,380 in balances as per our earlier Question 25. The EFA therefore shows a truer picture of what expenditure has been allocated where for decision-making purposes.

Question No. 35 (Page 64)

Looking at Note 9 on page 64 'Movements in Earmarked Reserves', the New Homes Bonus Reserve is significant at just over £2.8m – what is it being used for?

The Government introduced New Homes Bonus to provide a financial incentive to reward and encourage local authorities to help facilitate housing growth. The first payment was made in 2011/12 and was based on the number of additional homes added to the council tax base which in effect reflected new houses built and long term empties returned to use. Payments were based on the national average council tax relevant to each property and were originally paid for a period of 6 years although following consultation this reduced to 4 years from 2017/18. There is an additional

payment of £350 for each affordable home delivered, again originally for a 6 year period (or 4 years from 2017/18). In two tier areas, 80% is paid to the District and 20% to the County.

Receipts in respect of the 2011/12, 2012/13 and 2013/14 financial years have been used to fund the shortfall in future income which results from the Council's acceptance of the Council Tax Freeze Grant in earlier years. The impact of a 5 year council tax freeze i.e. council tax income foregone is £569,000pa. A further top-up was made last year to New Homes Bonus Reserve of £401,873 meaning that the reserve will not be used up until the end of March 2023 and will therefore cushion us for a further 5 years, giving us more time to find the necessary savings.

The increased scale of the funding distributed by the Government in the form of New Homes Bonus effectively meant that payments needed to be financed by reductions in formula grant. As a result, at Wyre the New Homes Bonus from the 2014/15 financial year onwards has been used to compensate for the loss of formula grant. Whilst the Government has awarded New Homes Bonus for 2018/19 they have reduced the legacy payments from 6 to 4 years (with 2017/18 acting as a bridge year in which 2013/14 legacy payments were received for a fifth year) and introduced a threshold below which no NHB will be paid. In 2018/19 the impact of this threshold is a 40% reduction on what we would have received had it not been implemented.

The Government have also signaled that from 2019/20 the award of any New Homes Bonus may be contingent on a number of factors such as a Local Plan being in place and may only be paid on planning applications granted in the first instance, so no bonus would be paid for planning applications only granted on appeal. These changes have not yet been confirmed and we await further information.

Question No. 36 (Page 64)

Staying with Earmarked Reserves, the Vehicle Replacement/Street Cleansing Maintenance Reserve has been topped up by £1,915,000. Why has such a significant sum been set aside and when will it be spent?

The reserve has been topped up to reflect early discussions and soft market testing undertaken with both our existing and alternative waste collection contractors. Our current contract with Veolia expires in March 2020 and at this point, regardless of who is then commissioned to operate the service, new refuse collection vehicles (RCVs) will be required.

In order to achieve the best value for money for the council, and avoid financing costs and any overhead and profit margins being passed on to us by the contractor, the most economical solution will be for us to purchase the RCVs direct. Based on information provided by Veolia and verified by our Transport Manager, new RCVs will cost an additional estimated £1.9m. As there is a 6-12 month lead-in time from ordering the vehicles to delivery, it is anticipated that payment will be required in 2019/20 and the latest Reserves statement reflects this.

Whilst significant, the top-up reflects a prudent approach to what is a known future cost and means that we have earmarked sufficient monies to avoid external borrowing.

Question No. 37 (Page 64)

Can you explain what the Non-Domestic Rates Equalisation Reserve is for and how is this affected by our joining the Lancashire Business Rates Pool in 2016/17?

The new Business Rates Retention scheme was introduced in 2013/14 and this reserve was established because of the volatility of business rate income and the fact that the safety net support provided by the Government does not kick in until we have suffered a loss in business rates income of approximately £239,000. In fact, now that Wyre have joined the Lancashire Business Rates Pool, we have foregone our right to access the Government's safety net and must bear any loss in business rates income without limit. It was therefore critical that the forecast showed income levels above the safety net when determining whether to join the Pool or not. The advantage of being in the Pool is that we get to retain the levy that we would have paid over to Central Government, less 10% which goes to Lancashire County Council. If you turn to Note 42 on page 94 you will see that in 2017/18 this amounts to £466,171 less 10% which leaves a net benefit of £419,554 which had we not been in the Pool would have been payable to Central Government.

The top-up each year has been funded using the Section 31 Grant paid by the Government to compensate for additional Reliefs awarded after the baseline funding level was established, net of the levy which is calculated on income received above the previously notified baseline.

NDR income collected by the Council reduced by £435K in 2017/18 mainly as a result of a reduction to the provision for appeals and bad debts £225K offsetting the reduction in NDR income from ratepayers (£279K), transitional protection due to central government (£113K) and Enterprise Zone growth (£268K). The impact on Wyre was a decrease of business rates income of £174K when compared to the 2017/18 Revised Estimate. This loss impacts in the 2019/20 financial year and will be funded from earmarked reserves. When comparing the reduction in 2017/18 to Wyre's increased income in 2016/17 of £130K, which will top-up the general fund in 2018/19, this volatility supports the need for such a reserve going forward. The 2013/14 s.31 grant net of levy was released and used to fund revenue expenditure in 2015/16, 2014/15 s.31 grant net of levy was applied to reduce expenditure in 2016/17, 2015/16 will be used to contribute to the collection fund deficit in 2017/18 and 2016/17 will be used to fund expenditure in 2018/19. The 2017/18 s.31 grant net of levy will again be used to fund revenue expenditure in 2019/20. The delay in the release of the reserve is considered to be a prudent approach and ensures that funds are not released or utilised until they have been confirmed by Central Government.

Question No. 38 (Page 69)

Looking at Note 15 and the table on the top of page 69 showing rental income from investment properties. Why has this reduced by just over £240,000 since 2016/17.

The main reason for the reduction relates to Fleetwood Marsh Landfill site which ceased operation at the end of March 2017. This resulted in a loss of income of £255,000 in rent and royalties compared to the previous year. Only dead rent is now payable at the site (£15,000 p.a.). Discussions have been held with the current leaseholder who must submit plans for their restoration of the site imminently, unless they decide to re-commence tipping and an agreement with the council can be reached.

Question No. 39 (Page 80)

Turning to Note 29 on Trading Operations, I notice that whilst we've looked at industrial sites under investment properties we haven't mentioned Fleetwood Market. The table shows that the market made a surplus in 2016/17 but a deficit in 2017/18. Does this mean that the financial outlook for the market is declining?

It is correct to state that on the surface this looks like a reversal of fortunes with the market moving from a surplus to a deficit in the space of one year. However, once we strip out the notional accounting entries the true position is a surplus in 2016/17 of £147,120 and a surplus in 2017/18 of £52,856. The market is continuing to make a surplus but it has reduced significantly by £94,264.

Whilst income has remained constant across both years, increased premises related costs of £29,944 (largely building maintenance e.g. roof works, signage and painting and decorating), advertising, promotions and special events related costs of £22,863 (including £6K on Christmas lighting), employee costs of £14,695 (including a one-off redundancy payment) and increased support service recharges of £29,999 have reduced the surplus.

The opening of the new Digital Hub in 2018 which is based at Fleetwood Market should help to increase footfall to the market and raise its profile. Investment of £70,000 has been allocated to the market for improvements in 2018/19 and again these are intended to enhance the attractiveness of the asset to help increase our return.

Question No. 40 (Page 81)

The officers' remuneration at note 32 starting on page 81 shows six employees earning more than £50,000 in 2017/18 but only five are listed in the Senior Officers' table (of which only four are current members of staff) – why is this?

The officers' remuneration table includes payments to all staff regardless of their position or grade within the organisation and therefore includes officers who are not considered to be 'senior employees'. The Accounts and Audit Regulations describe 'senior employees' as an employee whose salary (excluding bonuses, allowances, benefits in kind or compensation payments) is £50,000 a year or more and who is either:

- A head of paid service or a chief officer;
- A head of staff; or
- A person who has responsibility for the management of the relevant body to the extent that the person has power to direct or control the major activities of the body (in particular activities involving the expenditure of money).

Salary costs for the Head of Engineering along with standby allowance for occasions when the post holder acts as the Severe Weather Officer and election fees has meant that the total remuneration in the year was slightly above the £50,000 limit at £50,610 in 2017/18. A similar picture emerges for the Head of Finance as when salary, allowances and election pay are taken into account, £53,575 was paid in 2017/18.

Question No. 41 (Page 86)

Note 38 shows termination benefits and on page 86 it indicates that we have had one compulsory redundancy during 2017/18 and two other departures agreed. In what sort of circumstances do we make a financial contribution in order to allow officers to leave?

Normally the termination benefits note deals with redundancy situations either compulsory or voluntary. Voluntary redundancy usually arises where changes to service delivery mean that there is an opportunity for existing staff, particularly those nearing retirement, to take voluntary

redundancy allowing others to retain their roles and avoid compulsory redundancy situations. A payback period of two years applies and costs should not exceed this threshold.

Occasionally the note also includes other settlement agreements reached where redundancy isn't appropriate but for other reasons it may be in the authority's best interests to release a member of staff. In these circumstances a settlement agreement may be reached and this could be in situations of ill health for instance although reasons vary.

Question No. 42 (Page 95)

Looking at the Collection Fund on page 95, how much do we collect in council tax and business rates and how much do we retain in Wyre?

Beginning with council tax...

In 2017/18 we collected nearly £61m in council tax, of which Wyre retained nearly £7.4m (including Parish and Town precepts, see Note 10, pg 65, £644,769) which relates to our 11% of the overall council tax bill. The largest share of the £60.8m, after adjustments, goes to Lancashire County Council (LCC) (£43.7m) with Police and Fire receiving the balance (£5.9m and £2.3m respectively). Under statute the regulations require the authority to pay the preceptors the estimated (surplus)/deficit in the year. The actual (surplus)/deficit will be reflected in the precepts paid in 2019/20.

Moving on to business rates...

In 2017/18 we collected just over £26m in business rates, of which 50% or £13m is paid over to Central Government, 40% or £10.4m to Wyre (but we get to keep less than a third of this because we're a Tariff Authority and our need is assessed to be lower than what we collect, see below), 9% or £2.3m to LCC and 1% or £0.3m to the Lancashire Combined Fire Authority. Again, the difference between the estimated and actual (surplus)/deficit in the year will be reflected in 2019/20.

And if you want to see a summary of the detail then if you look at page 10 of the narrative statement, you can see that our actual council tax income in 2017/18 increases by £131,483 in prior year surplus and our actual NDR income, net of the tariff, was just £3.4m.

Questions raised at the training session on the draft set of accounts...

Question No. 43

At the Audit Committee in June, Members were curious about Heritage Assets and why we only had two listed. Why aren't more assets included in this category?

Tangible Heritage Assets are defined on page 49 as assets with historical, artistic, scientific, technological, geophysical or environmental qualities and are held principally for their contribution to knowledge and culture. Our only Heritage Assets in 2017/18 were the Civic Regalia and the Eros Statue.

Assets that you may think of as Heritage Assets such as the Mount Pavilion in Fleetwood, the Lower Lighthouse also in Fleetwood or the War Memorial in Thornton-Cleveleys are actually categorized as Community Assets. The CIPFA Code describes community assets as assets that the authority intends to hold in perpetuity, and notes that there may in addition be restrictions on their disposal. Below is an extract from the code giving some examples:

Type of Asset	Community Asset	Heritage Asset
Parks (parkland)	✓	
Bronze statue of Queen Victoria in a park		✓
Archaeological sites		✓
Cemeteries and crematoria (land only)	✓	
Historic buildings held principally for their contribution to knowledge or culture (but not where they are used for operational purposes, e.g. a museum)		✓
Works of art, museum exhibits and statues		✓
Military and scientific equipment of historical importance		✓
Civic regalia (held principally for their contribution to knowledge or culture)		✓
Recordings of historically significant events		✓

And finally...

Question No. 44

Are there any recommendations from last year's audit that remain outstanding?

There was one recommendation made in the External Auditor's Report to those charged with governance, which was considered by the Audit Committee at their meeting 25 July 2017, which was awarded a Low Priority rating. Low Priority ratings refer to: "issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced". The recommendation concerned all control account to general ledger reconciliations be signed and dated by the preparer and reviewer to provide evidence of adequate segregation of duties.

The current procedure now requires the preparer and reviewer to sign the control account reconciliations and as such the recommendation has been implemented.